Cover

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Corporate name: Mitsubishi Heavy Industries, Ltd.
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Nagoya Stock Exchange, Inc.
(8-20, Sakae 3-chome, Naka-ku, Nagoya)
Fukuoka Stock Exchange, securities
membership corporation
(14-2, Tenjin 2-chome, Chuo-ku, Fukuoka)
Sapporo Securities Exchange, securities
membership corporation
(14-1, Minamiichijo-nishi 5-chome, Chuo-ku,
Sapporo)
1. Reason for Filing

Desiring to grant Directors (except for Outside Directors) and Senior Vice Presidents stock options as a stock-based compensation scheme for further increasing their morale and incentive to improve business performance, the Board of Directors resolved on July 31, 2013 to issue the stock acquisition rights outlined in “2. Text of Report” pursuant to Article 238, Clauses 1 and 2, and Article 240, Clause 1, of Corporate Law on August 19, 2013. Accordingly, the Company is filing this Extraordinary Report pursuant to Article 24-5, Clause 4, of Financial Instruments and Exchange Act and Article 19, Clause 2, Item 2-2, of Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

2. Text of Report

(1) Name: Mitsubishi Heavy Industries No. 12 Stock Acquisition Right Security

(2) Number of stock acquisition rights issued: 800 units (Directors: 506 units, Senior Vice Presidents: 294 units)

(3) Issue price: 435,000 yen per stock acquisition right (435 yen per share)

The above price was determined by multiplying the option price per share calculated based on the basic values defined in items (b) through (g) below in accordance with the following equation, “the Black Scholes Model” by the number of shares underlying each stock acquisition right (hereinafter referred to as “Allotted Shares”) specified in (5) below:

\[ C = S e^{-qT} N(d) - X e^{-rT} N(d - \sigma\sqrt{T}) \]

Where:

\[ d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}} \]

(a) \( C \): Option price per share
(b) \( S \): Share price – The closing price of the Company’s common stock in the regular trading thereof on Tokyo Stock Exchange on July 30, 2013 (or a base price quoted on the next trading day if there is no closing price for that day)
(c) \( X \): Exercise price – 1 yen
(d) \( T \): Estimated time remaining – 15 years
(e) \( \sigma \): Volatility – Share price volatility calculated based on the closing prices of the Company’s common stock in the regular trading thereof over the 15 years...
from July 30, 1998 to July 30, 2013

(f) \( r \): Risk-free interest rate – Interest rate of Japanese government bonds whose years remaining are the same as the estimated time remaining.

(g) \( q \): Dividend yield – Dividends per share paid out over the past 12 months, namely in September 2012 and March 2013

(h) \( N(\cdot) \): Standard normal cumulative distribution function

(4) Aggregate issue price: 348,000,000 yen

(5) Class, matter and number of underlying stock acquisition rights:
The class of shares underlying stock acquisition rights is common stock, and the number of shares is 800,000. The number of Allotted Shares is 1,000. If a stock split, stock consolidation or other action necessitates an adjustment in the number of Allotted Shares, the Company may make such adjustment to a reasonable extent.

(6) Amount to be paid upon exercise of stock acquisition rights:
1,000 yen per stock acquisition right shall be paid in time of exercising stock acquisition rights.

(7) Period to exercise stock acquisition rights:
The period will be from August 20, 2013 to August 19, 2043.

(8) Conditions on the exercise of stock acquisition rights:
(a) A stock acquisition right holder may be allowed to exercise one’s stock acquisition right provided that a stock acquisition right holder loses one’s position as both director and senior vice president of the Company within (7) above period; provided, however, a stock acquisition right holder shall be able to exercise the said right within 10 years period from the next date of retirement as the above position (hereinafter referred to as “starting date of right exercise”).

(b) In spite of the provision (a), in the event of following ① or ② (provided, in the case of ②, except as a stock acquisition right holder may be allotted the stock acquisition rights of the restructured company in accordance with (15) below), a stock acquisition right holder may be able to exercise the said right within only the period stated ① or ②;

① In the event that the starting date of right exercise shall not be coming to a stock acquisition right holder by August 19, 2038:
From August 20, 2038 to August 19, 2043

② If, in the event of merger in which the Company shall be extinguishing company, the proposal of the approval on the merger agreement is approved at
the General Meeting of Shareholders; or if, in the case of stock-for-stock exchange agreement or stock-transfer plan in which the Company shall be Wholly-owned Subsidiary, the proposal of the approval as to the concerned agreement or plan is approved at the General Meeting of Shareholders; (if, in the case that the approval at the General Meeting of Shareholders shall be unnecessary, the resolution as to the said matter is made at the Board of Directors):

Within 15 days from the next date of the above approval

(c) In the case that a stock acquisition right holder waives the stock acquisition right, a stock acquisition right holder may not exercise the said right.

(d) It is not admitted to exercise a part of stock acquisition rights.

(e) In the case of a stock acquisition right holders’ death, stock acquisition right holders’ successor may exercise the said right.

(f) It is not admitted to assign or transfer to a third party, pledge and otherwise dispose without the approval at the Board of Directors.

(g) Other terms and conditions are stipulated in “stock acquisition rights allotment agreement” between the Company and object person pursuant to the resolution of the General Meeting of Shareholders and the Board of Directors.

(9) The amount added to capital and capital reserve due to share certificates issued upon exercise of stock acquisition rights:

(a) The amount of capital increased by issuing shares upon exercise of stock acquisition rights is 50% of the maximum allowable capital increase calculated in accordance with Article 17, Clause 1, of Company Accounting Ordinance. Fractions of less than one (1) yen shall be rounded off upwards.

(b) The amount of capital reserve increased by issuing shares upon exercise of stock acquisition rights corresponds to the maximum allowable capital increase as defined in (a) above, minus the capital increase provided for in (a) above.

(10) Assignment or transfer of stock acquisition rights:

Approval by the resolution of the Board of Directors is required to acquire stock acquisition rights by assignment or transfer.

(11) Number of offerees and other details:

A total of 37 offerees consisting of 16 Directors and 21 Senior Vice Presidents

(12) Relationship between the Company and any associated firm specified in Article 2, Clause 2, of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. of which an offeree is a director, accounting advisor, executive officer, statutory
(13) Matter agreed upon between the Company and the offerees:
A stock acquisition right holder may not assign or transfer to a third party, pledge, offer as collateral, gift before death, bequeath or otherwise dispose all or part of stock acquisition rights they hold.

(14) Grounds and conditions for acquisition of stock acquisition right by the Company:
(a) In the event that the General Meeting of Shareholders shall approve the following proposals (①～③) (if, in the case that the approval at the General Meeting of Shareholders shall be unnecessary, the resolution as to the said matter is made at the Board of Directors), the Company may acquire any unexercised stock acquisition right without any compensation on the date which the Board of Directors will set;
   ① The proposal of the approval on the merger agreement in which the Company shall be extinguishing company;
   ② The proposal of the approval on the demerger agreement or demerger plan where the Company shall be the Company effecting the demerger; and
   ③ The proposal of the approval on the stock-for-stock exchange agreement or stock-transfer plan where the Company shall be the Wholly-owned-Subsidiary.
(b) In the event that no successor of a stock acquisition right holder shall be exist, or that a stock acquisition right holder shall report his/her intention to the Company in advance that he/she does not hope for succession with respect to the said stock acquisition right by the designated documents, the Company may acquire any unexercised stock acquisition right without any compensation on the date which the Board of Directors will set.

(15) Policy concerning extinguishment of stock acquisition rights and issue of Restructured Company stock acquisition rights in the event of organizational restructuring:
In the event of merger (only in case of the merger which the Company shall be extinguishing company), absorption-type demerger, incorporation-type demerger, stock-for-stock exchange or stock-transfer (hereinafter collectively referred to as “organizational restructuring”), the holders of stock acquisition rights which remain as at the time when the organizational restructuring becomes effective (“Remaining stock acquisition rights”) shall be granted stock acquisition rights of joint stock company specified in Article 236, Clause 1, Items 8-a) to 8-e), of Corporate Law (“Restructured Company”) pursuant to the provisions below. In this case, Remaining
stock acquisition rights shall cease to exist and the Restructured Company shall newly issue stock acquisition rights, provided that the grant of stock acquisition rights by the Restructured Company, pursuant to the provisions below, is prescribed in the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, stock-for-stock exchange agreement, or share-transfer plan.

(a) Number of Restructured Company stock acquisition rights to be granted:
Each of Remaining stock acquisition right holders shall receive the same number of stock acquisition rights as the number of Remaining stock acquisition rights they hold.

(b) Class of shares of the Restructured Company underlying the stock acquisition rights:
Common shares of the Restructured Company

(c) Number of shares of the Restructured Company underlying the stock acquisition rights:
The number of shares shall be decided in accordance with (5) above, after taking into consideration the terms and conditions of the organizational restructuring.

(d) Amount of assets to be capitalized upon exercise of stock acquisition rights:
The amount of assets to be capitalized upon exercise of stock acquisition rights to be granted shall be determined by multiplying the Post Restructuring Exercise Price prescribed below by the number of Restructured Company shares underlying the stock acquisition rights decided in accordance with the stipulations of Item (c) above. The Post Restructuring Exercise Price shall be one (1) yen per share of Restructured Company shares receivable upon exercise of stock acquisition rights to be granted.

(e) Exercise period:
From either the initial date of the Exercise Period provided for in (7) above or the effective date of the organizational restructuring, whichever is the later, to the final date of the Exercise Period provided for in (7) above.

(f) Increases in capital and capital reserve due to new shares issued upon exercise of stock acquisition rights:
To be determined in accordance with the stipulations of (9) above.

(g) Restriction on the acquisition of the stock acquisition rights by assignment or transfer:
Approval by the resolution of the Board of Directors of the Restructured Company is required to acquire the stock acquisition rights by assignment or transfer.

(h) Redemption of the stock acquisition rights:
To be determined in accordance with the stipulations of (14) above.
(i) Other terms and conditions pertaining to the exercise of the stock acquisition rights:

To be determined in accordance with the stipulations of (8) above.

(16) Fractions of less than a share

If the number of shares to be issued to a stock acquisition right holder upon exercise of his/her stock acquisition rights includes a fraction of less than a share, the fraction shall be rounded off downwards.

(17) Date of granting of the stock acquisition rights

August 19, 2013